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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/03/06

INDEX:

(1) Editorial: Prime Minister Abe's policy speech - why do you intend to drive so slowly?

(2) Editorial: Keep turning on heat of reform as pledged in policy speech

(3) Trend away from bid-rigging part 1: Co-existence and co-prosperity mechanism beginning to collapse

(4) Series on by-election for House of Representatives (part 2): Relocation of Army Command to Camp Zama without explanation or choice

(5) Ibaraki Prefecture, assuming nuclear terrorism, conducts training to protect citizens

ARTICLES:

(1) Editorial: Prime Minister Abe's policy speech - why do you intend to drive so slowly?

ASAHI (Page 3) (Full)
September 30, 2006

"I will put all my body and soul in dealing the challenge to create 'a beautiful country, Japan,'" said Prime Minister Shinzo Abe in a policy speech.

The Abe government was launched with more than 60% public support, and the prime minister talked about his government's goals in his Diet policy speech.

Advocating the slogan of breaking away from the postwar framework, Abe has expressed his desire to amend the Constitution, but in his speech, he mostly focused on ways to realize economic growth, as well as on reform of the social security system.

After five years of the Koizumi government, which took harsh measures, Abe must have thought that his administration should now show the prospects for the future, easing the people's anxiety.

Prime Minister Koizumi declared in his first policy speech in 2001 that he would promote structural reforms with no sacred domains. He urged the public to endure strict structural reforms, citing the spirit of 100 straw rice bags - a reference to an event in the late 1860s when the Nagaoka clan in northern Japan was experiencing a famine and received 100 sacks of rice from another clan. The Nagaoka clan leader decided not to use the rice to feed his starving people, but instead sold it to gain money to build a school to educate the people, thus ensuring their future prosperity. Abe talked, however, about a bright future and peace of mind.

After removing Abe's tendency to use romanized English words, one is left only with the "2006 set of policy guidelines for structural reforms," as set by the Koizumi government. The policy guidelines only set out a general direction, leaving the specifics to the next government. Therefore, people were listening closely to hear Abe's concrete policy measures, but they were disappointed.

Regarding the public pension program, Abe said, "The central government is responsible and will not let it collapse, and people

TOKYO 00005758 002 OF 007

will not lose by paying premiums." That's all he had to say? The public wants to hear details of where pension funding resources will come from, and how premiums and benefit payments will be maintained.

Many people expect that the consumption tax will be eventually be increased. Abe, however, only said, "I will not avoid debate on the consumption tax issue."

Another surprise was that Abe provided only a rather simplistic statement on his pet subject, education reform. Abe's book "Toward a Beautiful Country" outlines his vision of introducing nationwide unified tests and school assessments by national inspectors. The idea implies a strengthening of national oversight and control over education. We are concerned about this. Yet, Abe spoke little of education issues.

He will likely leave the specifics to a cabinet panel on revitalizing education, which will be set up in the cabinet. What will the panel discuss and what will it suggest? Who will be chosen as the panel members? If Abe is able to influence them, we must keep a close eye on its deliberations.

Abe might have thought that it would be wise to tone down his rhetoric in his policy speech, thus embarking on safe sailing. Touchy phrases such as "breaking away from the postwar framework" and "open conservatism," which Abe stressed during the Liberal Democratic Party (LDP) presidential campaign, appeared nowhere in his policy speech. He did not mention his determination to amend the Constitution within five years or so.

In that sense, we can't help feeling disappointed. The opposition parties must firmly question Abe in the upcoming Diet session on why he avoided stating his long-held ambitions.

(2) Editorial: Keep turning on heat of reform as pledged in policy speech

In his first Diet policy speech, Prime Minister Shinzo Abe spoke to the people in plain words of what politics and policies his administration will pursue. The prime minister's policy goal has been revealed, but he has yet to come up with any specific measures to meet this goal. It is of importance for the prime minister to swiftly implement necessary specific measures and keep turning on the heat of reform as he pledged in the policy speech.

The Abe cabinet has made a smooth start, receiving an over 70% popularity rating in a poll conducted by the Nihon Keizai Shimbun. The prime minister said that the vision he is aiming for is that of "a beautiful country, Japan." He visualized this beautiful country as a country that: (1) values culture, tradition, nature, and history; (2) is underpinned by free society, respects discipline, and has dignity; (3) continues to possess the vitality to grow toward the future; and (4) has leadership, and is trusted, respected, and loved in the world.

In the policy speech, the prime minister implied eagerness to carve out a future for Japan, setting forth the ideals of conservatism and the policy of prioritizing economic growth as the two main pillars in managing his government. He also expressed his determination to

TOKYO 00005758 003 OF 007

address educational reform on a priority basis and make efforts to enact a bill amending the Fundamental Law of Education at an early date. Further, he unveiled a plan to quickly establish an education revitalization conference tasked with working out specific measures.

In reference to constitutional revision, Abe expressed high hopes for probing debate to be conducted in the Diet in order to set a direction for the revision. On a change in the government's interpretation of the Constitution to allow Japan's use of the right to collective self-defense, Abe noted: "In order to have the Japan-US alliance function more effectively, we will study specific cases." On the ideals of conservatism, the prime minister's arguments are very clear.

When it comes to pro-growth policy, however, Abe failed to present specific measures. The prime minister stressed the need for innovation, but he did not refer to regulatory reform, though such reform should be imperative for creating innovation. Abe is urged to flesh out modulated measures that will contribute to drawing out power from the private sector, instead of tricky measures worked out under the lead of government agencies.

The prime minister stressed the need to drastically cut spending and then made the following remark on special revenues for road construction: "The government, while keeping the current tax rate, will review road funds on the premise of reallocating them for general expenditures and will compile a set of specific measures by the end of the year." If this challenge fizzles out, the prime minister's posture toward reform itself will be questioned. The prime minister must get down to brass tacks on this challenge.

It is hard to understand why the prime minister stopped short of proposing cuts in state subsidies. In the previous Koizumi administration's trinity reforms to reshape regional finances, progress was hardly made in administrative reform and decentralization, with only the grant rate brought down. The prime minister must address the task even with a determination to scrap the subsidy system; otherwise, expenditures will not be satisfactorily reduced.

(3) Trend away from bid-rigging part 1: Co-existence and co-prosperity mechanism beginning to collapse

NIHON KEIZAI (Page 11) (Almost Full)
September 26, 2006

It has been eight months since the enforcement of the amended Anti-Monopoly Law designed to toughen penalties against bid-rigging activities. As price competition in bidding for public projects intensifies, the number of companies that pull out of or curtail participation in public works in anticipation of price collapsing or

a potential risk of being arrested is increasing. The Nihon Keizai Shimbun has investigated into the business situation in the construction industry that is drastically changing due to a trend away from bid-rigging.

Up to whether one is lucky in lotteries

President Iwata of Iwata Construction Co., a leading general contractor in Sapporo City, Hokkaido, noted wryly: "For constructing companies good salespersons used to be those who can accurately calculate tender prices, but now those who are lucky in lotteries

TOKYO 00005758 004 OF 007

are good salespersons for us." With the bid-rigging system of construction companies receiving orders for public projects in turn adopted by the construction industry for the sake of their co-existence and co-prosperity becoming shaky, the practice of placing low-price tenders is increasingly spreading in Hokkaido, where the number of companies is disproportionately large, compared with the number of public projects.

Since Sapporo City releases in advance estimated prices of projects it sponsors, lots of small and medium-size companies place tenders at the lowest prices as they desperately want jobs. Since all bidders offer their tenders at rock-bottom prices, successful bidders are decided by lot. The ratio of the adoption of lotteries for civil engineering works sponsored by the mayoral bureau with the exception of the industrial bureau, such as the Traffic Bureau, reached approximately 30% in fiscal 2005. President Iwata's remark that employees who are lucky in lotteries come in handy is what many people in the business feel.

Tendering bids at low prices has now become a national trend. The ratio of a project cost to an estimated price usually topped 95% in most projects. However, such a ratio in projects sponsored by the Ministry of Land, Infrastructure and Transport and awarded to leading general construction contractors plunged to the 70% level in July and August.

Behind the bid-rigging system is the construction industry's order based on lateral ties, under which companies similar in size share works, and vertical co-existence between leading companies operating nationwide and medium and small-size local companies that subcontract with them. In Hokkaido, such a coexistence system is beginning to disappear.

Construction companies continue to go under

The number of companies suffering from poor business performance has increased. President Iwata said that he had recently received a number of offers for purchasing such companies. An increasing number of small and medium-size construction companies are now going under, following the trend away from bid-rigging activities.

The Fair Trade Commission (FTC) last June ordered 91 local companies to end unfair trade practices over bid-rigging activities for construction works sponsored by Iwate Prefecture. As a result, four companies went bankrupt. In Okinawa, the FTC 152 companies were urged to stop unfair trade practices over bid-rigging practices for projects sponsored by the prefecture. The Okinawa Construction Industry Association has estimated that about 40 companies would go under.

An executive of a leading general construction contractor noted, "We can sense from the moves of the FTC and public prosecutors that they are aiming at destroying the order of the construction industry, such as the coexistence system. A number of related sources view that there will be no change in this trend under the Abe administration as well.

The former deputy manager of the Nagoya branch of Obayashi Corp. was indicted over a bid-rigging incident involving a project sponsored by Seto City, Aichi Prefecture. He admitted to all the facts presented in the first trial in August, saying, "I have been involved in bid-rigging from the early stage in various senses." This person has allegedly served as a coordinator of bid-rigging

activities over construction projects in the Tokai region for more than 10 years along with executives of leading local companies, including Meiko Construction Co.

The Nagoya District Public Prosecutors Office Special Investigation Department is now investigating into alleged bid-rigging practices for sewerage works. It questioned the same former deputy branch manager on a voluntary basis. In this connection, it searched the Nagoya branch of Konoike Construction Co. Public prosecutors are gearing up to pursue construction companies from leading general contractors to small and medium-size local companies.

The co-existence and co-prosperity system of the construction industry is beginning to be destroyed from within and from outside.

(4) Series on by-election for House of Representatives (part 2): Relocation of Army Command to Camp Zama without explanation or choice

TOKYO SHIMBUN (Kanagawa edition) (Excerpts) (Page 27)
September 30, 2006

From behind a hilly area, helicopters could be heard repeatedly taking off and landing, their propellers making an unpleasant chopping noise. On top of the hill is situated a heliport belonging to the US Army at Camp Zama straddling the communities of Sagamihara City and Zama City. "For the last year or two, it became even more annoying over there. We could not even hear the sound of our TV, and inside the house, it was as if the ground itself were vibrating, and glass in the windows would rattle." The complaint came from a housewife (60) living in the Isobe area of Sagamihara City that is right under the flight path of the choppers. She gazed up at the sky with malice in her eyes.

She has been married for approximately 40 years. She has lived the whole time in Isobe, but recently the noise from the choppers became unpardonable. The helicopters fly low overhead only a dozen or more meters off the ground. They repeatedly practice touch-and-go landings. The continuous noise from the helicopters has even damaged her health.

According to the public relations section of Sagami City, there were 281 complaints about helicopter noise during the last fiscal year. This fiscal year, as well, complaints are coming in at around the same pace. It has been confirmed that US Navy helicopters from Atsugi base are frequently carrying out training, and the city decided to collect noise data starting last October.

Camp Zama is different from Atsugi base, where there is high-pitched noise from aircraft carrier-based jet planes flying in. Camp Zama until now has built a good relationship with the local residents. However, the emotions of the local residents have risen due to the helicopter noise, and in May with the agreement between Japan and the US on the realignment of US forces in Japan, strains have begun to appear in the relationship with local residents over the plan to relocate the US Army's First Corps to Camp Zama.

The relocation of the Army Command to Camp Zama has a symbolic identity of the strengthening of the Japan-US alliance, as promoted by the Koizumi administration. The Ground Self-Defense Corps' Central Readiness Command would be co-located in the same base, which would strengthen the trend of unifying Japan's SDF and the US forces. However, until the decision was made to strengthen the role

TOKYO 00005758 006 OF 007

of the base, no explanation was ever given to the local communities.

Said a local male resident from Isobe: "The decision was made arbitrarily without our knowledge. There was not even request for cooperation. I think they played us for fools." He said he had lost his faith in the government.

The man last summer signed a petition against the relocation of the Army Command. Over 200,000 in Sagamihara City overall signed the petition. He said, "I sense that the mood of the local residents who used to be resigned to the existence of the base until now has changed." However, in the general election that occurred last September, the only matter paid attention to was postal privatization, and even in the 16th district of Sagamihara City where Camp Zama is located, the propriety of the Army Command's relocation was never disputed. The local residents have never been given a choice in this matter.

(5) Ibaraki Prefecture, assuming nuclear terrorism, conducts training to protect citizens

Asahi (Ibaraki Internet edition)
Sept. 30, 2006

Assuming a large-scale terrorist or military attack, the Ibaraki Prefectural Government conducted training on Sept. 29 with the central government, the Self-Defense Force (SDF) and other relevant organizations to rescue citizens in cooperation under the Public Protection Law. Participating in the drill were 2,400 persons from about 100 organizations across the nation, but some participants and involved parties pointed out problems in the drill.

The Public Protection Law is one of the emergency laws governing the obligation and role of the central and local governments, as well as relevant organs in evacuating or rescuing citizens in times of emergency. The main purpose of the latest drill was to examine the effectiveness of the prefecture's plan to protect the citizens laid out this January based on the law. This was the third training held between a prefectural government and the central government, following the ones by Fukui and Hokkaido.

The training started around 7:00 a.m. of Sept. 29 on the supposition of a terrorist attack on the Tokai Second Power Plant (Shirakata, Tokaimura) of the Japan Atomic Power Co., in which the high-voltage cable is destroyed, the reactor automatically stop, and radioactive materials leak to the outside of the reactor building due to multiple incidents.

In the training, an emergency headquarters was set up in the prefectural government office. The headquarters contacted the central government, the Ibaraki Prefecture Nuclear Off-site Center (Hitachinaka City), and other relevant institutes to exchange information through TV conference.

About 700 residents from Tokaimura and other areas joined the evacuation training, in which social workers and firefighters helped those who are unable to easily evacuate independently, such as elderly persons. In order to facilitate evacuation by car or evacuation on foot, a one-way restriction was imposed on some streets.

In a press conference after the drill, Cabinet Secretariat

TOKYO 00005758 007 OF 007

councillor Genzo Inoue said, "The training was initially aimed to confirm each institute's role and to cooperate with each other, but this purpose was not attained." He added, "There should be training procedures under which no decision is made beforehand on actions to be taken." In response, Governor Masaru Hashimoto commented: "Although he criticizes the training as having been carried out in accordance with a scenario, I think it is important for people to participate in training upon fully understanding the scenario."

Since the disastrous nuclear accident, the prefecture has held nuclear disaster drills. Unlike such training, the training on the assumption of a terrorist attack puzzled some persons.

Governor Hashimoto said, "Since there are the heads of the central government and the local headquarters, (decision-making) might be delayed in some cases." Tokaimura Head Tatsuya Murakami stated: "The release of radioactive materials is a more realistic threat to local people than terrorism. Where should priority be given to? It was a

difficult drill."

DONOVAN